

**Education Administration & Planning 1**

**Amendment No. 1 to HB0738**

**Brooks H**  
**Signature of Sponsor**

**AMEND Senate Bill No. 734**

**House Bill No. 738\***

by deleting all language after the enacting clause and substituting instead the following:

SECTION 1. Tennessee Code Annotated, Title 3, Chapter 15, is amended by adding Sections 2 through 9 as a new part.

SECTION 2.

(a) As used in this part, "efficiency audit" means an audit to determine whether a public higher education system or public institution of higher education:

(1) Is managing and utilizing its resources, including state funding, personnel, property, equipment, and space, in an economical, productive, and efficient manner;

(2) Has received adequate state funding to allow it to achieve its mission and educational goals;

(3) Has policies or rules in effect that create inherent inefficiencies;

(4) Has unnecessarily duplicated its services or educational programs;

and

(5) Can modify its operations to operate more efficiently and to more effectively deliver its services.

(b) An efficiency audit is not a financial audit. The efficiency audit shall determine the cause of inefficiencies and uneconomical practices and shall include recommendations for addressing the financial needs of public institutions of higher education, as well as implementing strategies and plans to improve efficiency.

SECTION 3.

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- (a) There is created the joint higher education efficiency audit committee referred to in this part as the joint committee.
- (b) The joint committee shall be composed of eight (8) members as follows:
- (1) The chair of the finance, ways and means committee of the house of representatives, or the chair's designee;
  - (2) The chair of the finance, ways and means committee of the senate, or the chair's designee;
  - (3) The chair of the education administration and planning committee of the house of representatives, or the chair's designee;
  - (4) The chair of the education committee of the senate, or the chair's designee;
  - (5) One (1) member of the senate, to be appointed by the speaker of the senate;
  - (6) One (1) member of the house of representatives, to be appointed by the speaker of the house of representatives;
  - (7) The comptroller of the treasury; and
  - (8) The executive director of the Tennessee higher education commission, or the executive director's designee.
- (c) Five (5) members of the joint committee shall constitute a quorum for the purpose of meeting and conducting business.

(d) The first meeting of the joint committee shall be convened on a date to be determined by the executive director of the Tennessee higher education commission no later than January 1, 2019.

(e) The executive director of the Tennessee higher education commission, or the executive director's designee, shall serve as chair of the joint committee. At its first meeting, the joint committee shall elect from its membership a vice chair and other officers as it considers necessary.

(f) The joint committee shall meet as necessary.

(g) The committee's recommendation as to the hiring of an audit consultant shall be made as soon as possible, but no later than January 1, 2019.

SECTION 4. The joint committee has the authority to:

(1) Determine if it is in the best interest of the state to contract with a consultant to audit all public institutions of higher education, to investigate whether each institution is operating in the most efficient manner, to make recommendations to improve any inefficiencies, and to recommend any increase in funding;

(2) Request the assistance of the Tennessee higher education commission in coordinating and accomplishing its mission;

(3) Employ staff to assist the joint committee in performing its duties, subject to the availability of funds;

(4) Request assistance from departments, agencies, and other governmental entities, including the office of the comptroller of the treasury, in performing its duties. The departments, agencies, and other governmental entities shall assist the joint committee upon request;

(5) Conduct hearings within the scope of its duties;

(6) Enter into contracts for technical or professional services, subject to the availability of funds;

(7) Create subcommittees related to its purposes; and

(8) Perform other duties as required to achieve its objectives of making each public higher education system and public institution of higher education more effective in achieving its mission and in meeting its educational goals and to make use of tuition and state resources in the most efficient manner.

SECTION 5. In performing its duties, the joint committee shall:

(1) Define the scope of each audit. The joint committee may, at its discretion, issue a request for proposal (RFP) for consulting services in defining and setting the scope of an audit prior to issuing an RFP for the audit. The joint committee may issue requests for information and requests for qualifications in determining the scope of an audit;

(2) Issue one (1) or more RFPs with respect to an audit of each public higher education system or public institution of higher education;

(3) Review the proposals submitted in response to an RFP;

(4) Select an entity to perform the audit based on the joint committee's review of the proposals;

(5) Request authorization and funding by the general assembly to implement the efficiency audit;

(6) Review the audit's findings and recommendations to determine:

(A) The economic feasibility and expected cost savings to the state anticipated from any recommended changes;

(B) Whether recommended changes pursuant to subdivision (6)(A) result in more efficient use of state resources;

(C) The extent that the changes will contribute to student access to academic programs and services that will be beneficial to them and to the state;

(D) The extent to which proposed changes contribute to the system's or institution's goals, priorities, and higher education strategies of the state and the system or institution;

(E) The financial needs of the system or institution for purposes of recommending any increase in funding; and

(F) If inefficiencies exist due to a lack of funding; and

(7) Recommend actions to be taken as the result of the findings and conclusions of the audit and the manner in which these acts shall be implemented.

SECTION 6. Pursuant to § 12-3-102(b), the joint committee may request the assistance of the central procurement office in performing its duties.

#### SECTION 7.

(a) The joint committee shall select an entity for consulting services and make its recommendation to the legislature by January 1, 2019.

(b) The state shall, after authorization by the general assembly, contract for the performance of efficiency audits of the public higher education systems and public institutions of higher education with the objectives of making systems and institutions operate more efficiently and making use of state resources in the most efficient manner.

(c) The joint committee shall publish reports at the beginning of the 2019 and 2020 sessions of the one hundred eleventh general assembly and the 2021 session of the one hundred twelfth general assembly that summarize the joint committee's activities and operations. The reports shall include the efficiency audits of the public institutions of higher education undertaken prior to each session, the efficiency audits completed together with the findings, conclusions, and recommendations of the joint committee, and the efficiency audits underway, but not completed.

(d) The joint committee shall submit its annual report to the members of the general assembly, the governor, the Tennessee higher education commission, the systems for which audits have been completed or are underway, and the institutions and their governing bodies for which audits have been completed or are underway. The joint committee's duties shall be completed and dissolved when all institutions of higher

learning in this state have been audited and the consultant's recommendations have been implemented and completed.

(e) The joint committee shall use the efficiency audits to identify inefficiencies and efficiencies that exist in public higher education systems and at the institutions. Inefficiencies and efficiencies include, but are not limited to, those associated with resource allocation, underutilization of assets, staffing, and human resources, wages and salaries, duplication of services, administrative personnel and layers of administration, purchasing practices, and course offerings for the students or the public.

(f) The joint committee shall issue written recommendations to the general assembly for legislation that leads to more efficient use of state resources by the higher education systems and institutions and that results in more beneficial outcomes for the students and public.

(g) The joint committee shall make recommendations to the person or entity that has the power to implement its recommendations.

SECTION 8. Efficiency audits of all public higher education systems and public institutions of higher education shall be conducted in an order and manner determined by the joint committee.

SECTION 9. This part is repealed effective July 1, 2021.

SECTION 10. This act shall take effect upon becoming a law, the public welfare requiring it.